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TO RUEHC/SECSTATE WASHDC 2888
INFO RUCNCOM/EC CARICOM COLLECTIVE
RUEHAO/AMCONSUL CURACAO 0168
RHEFDIA/DIA WASHDC
RUEABND/DEA HQS WASHINGTON DC
RUMIAAA/CDR USSOUTHCOM MIAMI FL
RUCPDOG/DEPT OF COMMERCE WASHDC
RUEATRS/DEPT OF TREASURY WASHDC

UNCLAS SECTION 01 OF 02 KINGSTON 001051

SIPDIS

STATE FOR WHA/CAR (BENT) AND WHA/PDA
STATE ALSO FOR INL/LP (BOZZOLO), EB/TPP, AND EB/IFD
STATE ALSO DOE CA/OCS/ACS/WHA (RUTH BRANSON)
STATE PASS OPIC FOR TABERNAKI
CUSTOMS MIAMI FOR LOWEN AND MAHABIR
SANTO DOMINGO FOR FCS, FAS, AND LEGATT
STATE PASS USTR FOR A. GASH-DURKIN
DOJ FOR OPDAT/R LIPMAN
TREASURY FOR LAMONICA

SENSITIVE
SIPDIS

E.O. 12958: N/A
TAGS: [PGOV](#) [PREL](#) [EFIN](#) [ECON](#) [EINV](#) [PHUM](#) [ELAB](#) [KHIV](#) [JM](#)
SUBJECT: KINGSTON POL/ECON ROUNDUP: May 13 - May 30, 2006

Ref: Kingston 555

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11. This week's topics:

- BOJ Reduces Interest Rates
- Prime Minister of Malaysia Visits
- Jamaican Company to Expand to the Caribbean
- Major Investment Project on the Horizon
- Cement Troubles Continue
- Public Sector Memorandum of Understanding (Finally)

BOJ Reduces Interest Rates

12. (U) Effective May 12, the Bank of Jamaica (BOJ) reduced interest rates applicable to open market instruments. Signals of a decline were evident from as early as May 1, when the BOJ removed the requirement that deposit taking institutions hold five percent of their assets as a special deposit. The interest rate reduction, which ranges from 0.15 to 0.20 percent, was predicated on emerging signs of stability in the economy. Inflation had slowed to 0.1 percent during the first three months of the year, while buoyant private investment inflows have helped to maintain relative stability in the foreign exchange market. The stock of NIR has also climbed to USD 2.1 billion at the end of March. Rates might not slow much further in the short term, as inflation jumped by 1.1 percent in April on the back of higher food and energy prices. The upward movement in U.S. interest rates will also narrow the gap between U.S. and Jamaican rates, making dollar denominated assets more attractive.

Jamaican Company to Expand to the Caribbean

13. (U) Information technology upstart, e-Services has

signaled its intention to enter the St. Lucian market by the end of 2006. The Jamaican company, which is slowly becoming one of the world's leading providers of offshore call centers and back office operations, is planning to invest over USD 1 million to create over 400 jobs. The company, which began with 35 employees in Jamaica, has grown its staff to over 1,500.

Major Investment Project on the Horizon

14. (U) US-based firm Century Aluminum and Hong Kong-based Minmetals Aluminum Company have entered into an agreement to explore the possibility of setting up a joint alumina processing plant in Jamaica. The feasibility study, which is expected to begin soon, is slated to take 18 months and the plant itself would be completed in six years. The proposed plant would have the capacity to refine 1.5 million metric tons of alumina and would require a capital outlay of around USD 1.5 billion. If this investment materializes it would be the second major investment in the bauxite industry following the USD 1 billion investment being undertaken by ALCOA. However, a number of recently announced investment projects have not moved forward and this particular investment could hinge on whether aluminum prices remain high.

Cement Troubles Continue

15. (SBU) The troubled cement industry (see Reftel) continues to reel under the strain of a chronic shortage that arose after quality control concerns forced the recall of thousands of tons of the product in February. Promised

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shipments of cement from Cuba have still not arrived, and many in the private sector and the media are calling for the resignation of the Minister of Industry, Commerce, Science, Technology and Energy Phillip Paulwell. The announcement of a year-long suspension of a 40 percent tariff on cement has placated few critics, as it is seen as "too little too late", but the recent arrival of a large consignment from Venezuela may buy a temporary reprieve.

Public Sector Memorandum of Understanding (Finally)

16. (U) After almost two months of negotiation and debate, the GOJ and the Jamaica Confederation of Trade Unions (JCTU) finally agreed to a Memorandum of Understanding (MOU) to replace the MOU that expired March 31. It was due to be signed May 29, but the JCTU requested a delay because a number of its members were unhappy with the draft. As expected, workers received significant wage increases that ranged from 13 to 27 percent, depending on the sector, as recompense for the previous sacrifice that the JCTU made in 2004 when it accepted an agreement under which public sector wages were frozen for two years. The Nurses Association and the Jamaica Teachers Association, however, backed out of the JCTU in an attempt to forge a better deal on their own.

JOHNSON